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23 June 1952

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CURRENT INTELLIGENCE DIGEST

Office of Current Intelligence

CENTRAL INTELLIGENCE AGENCY

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THIS MATERIAL CONTAINS INFORMATION AFFECTING THE NATIONAL DEFENSE OF THE UNITED STATES WITHIN THE MEANING OF THE ESPIONAGE LAWS, TITLE 18, USC, SECS. 793 AND 794, THE TRANSMISSION OR REVELATION OF WHICH IN ANY MANNER TO AN UNAUTHORIZED PERSON IS PROHIBITED BY LAW.

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GENERAL

1. Venezuelan measures against Soviet Charge may react against Western diplomats in Moscow: Ambassador Kennan warns that if the Soviet representatives in Venezuela are not treated with full courtesy until they leave, there may be serious repercussions in Moscow not only against the Venezuelan representative but possibly against other missions. The Ambassador points out that it is important not to set a precedent for mistreatment of diplomats in the case of a break in relations.

Meanwhile, Czechoslovakia has asked Venezuela for permission to represent Soviet interests there, and the Czech Vice Foreign Minister informed the Venezuelan Minister in Prague that unless the Soviet staff in Caracas were permitted to leave Venezuela freely, the Soviet Union is prepared to take "whatever steps the situation required." [REDACTED]

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Comment: In response to Venezuelan provocations during the preceding week, the USSR on 13 June broke relations with Venezuela charging "hooliganism" and violations of international law. A usually reliable source reported that on the night of the break, the Soviet Embassy was surrounded by police, and a Soviet official was badly beaten when he tried to leave.

The Soviet Embassy in Caracas has asked that the International Red Cross investigate the "mistreatment" by the Venezuelans.

Ambassador Kennan on 14 June emphasized that the Soviet note to Venezuela stated that Venezuela was "obviously acting under the direction of its North American masters."

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2. Venezuela breaks relations with Czechoslovakia: Venezuela broke diplomatic relations with Czechoslovakia on 20 June after the Czech Minister presented a Soviet note which the Venezuelan Foreign Ministry considered unacceptable. [REDACTED]

Comment: The break with Czechoslovakia occurred within a week of the Venezuelan rupture with the USSR. In both cases, Venezuela apparently seized an opportune moment to make a break. There are no other Orbit diplomatic missions in Venezuela.

Czech diplomatic missions in Latin America have been active in gathering intelligence and in promoting trade transactions, both legal and illegal, designed to alleviate the dollar shortage in Czechoslovakia.

EASTERN EUROPE

3. Bulgarian Premier claims fulfillment of Five Year Plan for cooperative farms: In an article published in the Com-Inform journal on 13 June, Premier Vulko Chervenkov asserted that, in less than four years, the Bulgarian Five Year Plan for agricultural output had been fulfilled. During the same period, Bulgaria "also succeeded in reaching the level envisaged by the Five Year Plan for cooperation in agriculture and its mechanization." [REDACTED]

Comment: The Bulgarian Five Year Plan has envisaged the collectivization of 60 percent of all arable land in the country by the end of 1953. Although later announcements have asserted that "half" of the land is now in the socialist sector, the most recent official reports have been limited to the statement that 47.5 percent of the arable land had been absorbed by the end of 1951. There has been no indication that a new collectivization campaign is now under way in Bulgaria, and no intensive drive is known to have been waged since the spring of 1951.

4. United States rejects Bulgarian coastal waters decree: The American Legation in Bern has been directed to address to the Bulgarian Ministry of Foreign Affairs, through the mediation of the Swiss Foreign Office, a note "taking exception"

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to a Bulgarian decree of October 1951, according to which the territorial waters of Bulgaria were extended to twelve marine miles in breadth. Stating that the provision is deemed to be in conflict with the generally accepted principles of international law, the note asserts that the United States reserves "its interests and the interests of its nationals and vessels under the provisions of the law in question." [REDACTED]

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Comment: The Bulgarian claim to a twelve mile territorial limit follows a pattern previously set by the USSR and Rumania. The United States has previously disavowed recognition of the Soviet claim, and a note rejecting the Rumanian decree of September 1951 has recently been dispatched.

5. Czech press openly supports creation of East German army:
The Czech press opened a concerted campaign on 20 June to win popular support for the creation of an East German army as a defense against "the aggressive plans of the Wall Street war-mongers revealed by the invasion of Korea."

Previously only guarded references had been made to East German forces in consideration of Czechoslovakia's dislike and fear of Germany. [REDACTED]

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Comment: Until now the major emphasis in the German question has been placed on rousing the Czech people against the remilitarization of West Germany and supporting the Soviet proposals for the unification of Germany. Czech officials have tried to play down fear of East Germans by conferences between the heads of the two states. At the same time fear of "another Korea" perpetrated by the West has been propagandized in an effort to squeeze more production from the workers.

In its main features this line has also been followed by Poland and Hungary.

6. American Legation in Budapest comments on possible imminent purge of Hungarian leaders: The American Legation in Budapest foresees a possible purge of Hungarian leaders in the near future as a result of the serious deficiencies in important industrial and agricultural sectors, including the key aluminum industry and others of special interest to the USSR. The Legation cannot confirm a report from CINCEUR of the imminent purge of Deputy Premier Matyas Rakosi.

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In view of the direct criticism being levied against various Economic Ministries and the State Planning Board, the Legation nominates Erne Gerö, Chairman of the People's Economic Council, and Zoltan Vas, Chairman of the State Planning Board, as the most likely purge victims. [REDACTED]

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Comment: Soviet criticism of the failure of Hungarian production has been directed mainly against the coal and bauxite mines, heavy industry and certain sectors of the light industry. The economic situation has deteriorated to such an extent that high-level scapegoats for the production failures must be found.

The CINCEUR report on Rakosi must be viewed with considerable reserve, however, since it appears to be a rather inaccurate duplicate [REDACTED] from [REDACTED] considered to be "probably not reliable." Reports of Rakosi's fall from favor have appeared periodically for several years and have never been confirmed.

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FAR EAST

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7. Korean minority in Japan may demonstrate on 25 June:

Ambassador Murphy reports that [redacted] indicate the likelihood of North Korean and Japanese Communist demonstrations on 25 June, the second anniversary of the outbreak of Korean hostilities. The disorders will probably include rallies, and attacks on police sub-stations and South Korean sympathizers. The Ambassador comments that since the anniversary is meaningless to the average Japanese, the demonstrations will probably be confined to North Koreans and hard-core Japanese Communists. [redacted]

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Comment: The World Federation of Trade Unions (WFTU) has issued an appeal to observe 25 June as a day of international solidarity with the North Korean people and for the defense of peace.

Recent violence in Japan has been associated largely with the large and volatile leftist Korean element. The WFTU appeal, added to discontent over recent Japanese Government measures against the Koreans and the increasing tension between right and left-wing Korean groups, could well provide the spark for an emotional spree on 25 June.

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8. Rhee's [redacted] sees no case in "conspiracy" trial of Assemblymen: [redacted] President Rhee's [redacted] informed a high UNCURK official on 19 June that he told Rhee that there were "too many smart defense lawyers and that with the present prosecution there was little chance of winning the conspiracy case." Rhee stated that he had to win "because everything he had done was based on this case." [redacted] "the old man" had been misled into believing that he had a good case, but that it was obvious that "there was nothing to it, and that the charges would not hold up." [redacted]

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Comment: Rhee has counted heavily on a successful conclusion of the "Communist conspiracy" case to justify his highhanded actions of the past month.

9. Soviet AAA unit reportedly moved to protect Communist headquarters: In April there were about 1,200 Soviet anti-aircraft personnel deployed in the Tokchon area, about 40 miles east of Sinanju, according to information [redacted]

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[redacted] In late May, however, more than half

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of this force was transferred to Kangdong, leaving only about 500 Soviet antiaircraft personnel in Tokchon. [redacted]

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Comment: An unknown and unlocated number of Soviet anti-aircraft artillerymen are generally accepted in Korea performing a rear area combat function. While Kangdong has been reported as the location of the Communists' "Joint Headquarters" in Korea, there has been no information relative to any major installation at Tokchon which would require Soviet AA artillery protection.

10. Sino-North Korean economic agreement reported: An agreement governing economic relations between Communist China and North Korea was concluded on 18 February in Peiping, [redacted]

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25X1X [redacted] It reportedly provided for the appointment of a Chinese representative to "assist the government of the Korean People's Republic to foster the economic development and reconstruction of the Korean People's Republic." The Chinese representative was to have the authority to "visit and inspect all industrial facilities in Korea." [redacted]

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Comment: The report of this agreement is unconfirmed. The appointment of a Chinese representative exercising supervisory responsibilities over North Korean economic affairs would be a departure from the pattern of Soviet domination.

11. Campaign against bourgeoisie yields large revenue to Chinese Communists: [redacted] recently has reported "semi-official banking sources" expect Peiping to derive extra revenues of 2,500,000,000 dollars from its campaign against the bourgeoisie. The American Consul General at Hong Kong considers this figure exaggerated, but believes that the regime will obtain more from the campaign than it did from the 1951 arms donation drive. [redacted]

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25X1 [redacted]
Comment: This figure is undoubtedly exaggerated, amounting as it does to about ten times the sum Peiping claims to have collected in the 1951 arms donation drive. Nevertheless, the campaign against the bourgeoisie has apparently been successful, not only in adding to Peiping's revenues but also in increasing its foreign exchange holdings. One Hong Kong publication has estimated that the campaign brought Peiping about 200,000,000 dollars of bullion and recoverable foreign exchange.

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12. Leading officials of China's Kwangsi provincial government removed: The Government Administration Council of the Peiping regime has removed five leading officials of the Kwangsi Provincial People's Government. [REDACTED]

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Comment: The four key posts in Kwangsi have long been held concurrently by one man. Chang Yun-i, a member of the CCP's Central Committee, has been governor of the province, secretary of the party's provincial committee, and commander and political commissioner of the Kwangsi military district. Chang was rumored in early 1952 to be falling from favor.

The five removed officials have been Chang's military and political deputies. The Peiping announcement affords no clue as to whether they are being given new assignments, or were removed either at Chang's instigation or as a consequence of his fall.

13. Sino-Vietnamese units reportedly preparing attack on French: A "doubtful" report [REDACTED]

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[REDACTED] states that six regiments of the Lien Quan Bien Canh (mixed Chinese-Vietnamese border army) have moved toward the French defense perimeter in Tonkin and are now prepared to launch a coordinated offensive. Redeployment began on 27 May "under conditions of greatest secrecy," and units are now in position from Moncay in the east to Yen Bay in the west.

[REDACTED] that it has received no reliable information confirming the existence of this army.

Comment: The last report of this army was in January, when it allegedly participated in action against a convoy of French trucks. The report above cannot be taken as confirmation of the army's existence since the ultimate source of both reports may have been the same.

14. Burmese Premier may resign: During a 1 June cabinet meeting, Burmese Premier Nu "agreed" to remain in office for one month to give his colleagues an opportunity to choose a successor, [REDACTED] believes that although Nu may only have been testing his strength, he might retire if anyone but Defense Minister Ba Swe were selected. [REDACTED]

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Comment: This is the second recent report that Nu may be actually considering retirement, but he has threatened to resign several times since assuming office in 1948.

Nu has been regarded as the leading figure of the moderate faction in the Burmese Government, and is inclined toward cooperation with the West. The ambitious Ba Swe, on the other hand, has a record of affinity for Communism, despite his recent anti-Communist statements.

15. Report of plot against Burmese Premier deprecated: Brigadier Kyaw Zaw, the second-ranking officer in the Burmese Army, was recently reported to be implicated in a plot to assassinate Premier U Nu. However, [redacted] he impressed the [redacted] as a sincere supporter of the Nu regime. Kyaw Zaw is quoted as stating that Nu's prestige is high and that he is an irreplaceable leader. [redacted]

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16. Chinese Nationalist offensive from Burma denied: Recent reports that General Li Mi's Chinese Nationalist troops are planning to launch an offensive in the near future have been [redacted]

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Comment: There has been no reliable evidence that the Chinese Nationalists in Burma seriously contemplated another offensive after their defeat in Yunnan last summer. Moreover, [redacted] reported that Li Mi's forces have seriously deteriorated recently as a result of large-scale desertions.

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17. Captured documents confirm link between Communist insurgents and Burmese leftist party: The Government of Burma has released copies of captured documents which contain numerous references to cooperation between the Communist insurgents and the strongly leftist Burma Workers and Peasants Party (BWPP). The Home Minister is reported to have said, "that's the information I want." [redacted]

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Comment: These documents provide further evidence that the Burma Workers and Peasants Party is the aboveground arm of the Communist insurgent movement in Burma.

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Although the Burmese Government has tended in the past to tolerate the BWPP as a legal opposition party, the release of the documents and a recent raid on the party's headquarters indicate that the government is adopting a more stringent policy toward the party.

18. Militant Moslem organization plans outbreaks in Indonesia:

25X1C [redacted] has received reports that the Darul Islam, a fanatic Moslem organization, plans to create disturbances in the cities of West Java, including Djakarta, during the Moslem New Year holiday, 22-24 June. Authorities are taking precautions to prevent serious trouble. [redacted]

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25X1 [redacted]

Comment: The Darul Islam is a well-armed organization with possibly 10,000 members which is seeking to establish a theocratic state in Java.

While government forces will probably be able to suppress any Darul Islam outbreaks in the West Java cities, this report demonstrates the continuation of insecure conditions in Indonesia, which are seriously hampering the development of the country's economy and reducing popular confidence in the government.

19. Indonesian Communist Party votes support of government:
Communists in the Indonesian Parliament joined government parties on 19 June in voting to give the cabinet an "opportunity to work." The only opposition to the motion came from two leftist parties in the Communist bloc. [redacted]

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25X1 [redacted]

Comment: The Indonesian Communist Party is currently encouraging the establishment of a "united national front." The reasons for the split over the parliamentary vote among members of the Communist bloc, however, are not clear.

20. Indonesian Government admits increased guerrilla activity in West Java: The Indonesian Prime Minister disclosed at a press conference that guerrilla activity has recently increased, particularly in west Java. He stated that the government has been concentrating on the "consolidation of its strength" and that the guerrillas have used this opportunity to make trouble.

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Comment: The Indonesian Government has made little progress in two and half years of independence in dealing with the country's primary problem--lawlessness. During the past six weeks, dissident groups in West Java, ranging from 30 to 600 well armed men, ambushed security patrols, raided small security garrisons, and terrorized the rural population. They have accumulated funds, food, ammunition and weapons.

The present cabinet was initially quite popular with Indonesians because of the appointment of the Sultan of Djokjakarta as Minister of Defense and the belief that he would take stern and effective action against dissidence. No such action has yet been evident. The Sultan may not be at fault, however, since cabinet leadership is unusually indecisive and may be impeding his work.

NEAR EAST - AFRICA

21. Iranian bank official urges action in financial situation:
The Acting Governor of the Iranian National Bank, Nasser, has warned his government that the bank's note cover reserve is dangerously low and has urged action to remedy the situation. Nasser believes that the government's only recourse is to issue new banknotes without gold backing because most of Iran's foreign exchange is already pledged. The Majlis is opposed to debasing the currency.

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Comment: Mossadeq's political position is weaker, but in the past he has been able to overcome parliamentary opposition through an emotional appeal to the people. If he exploits immediately his trip to The Hague, he could win sufficient support to secure expansion of the note issue.

22. Saudi Arabia protests Israeli decision to transfer Foreign Ministry to Jerusalem: American Ambassador Hare reports that the Saudi Arabian Government has protested the proposed transfer of the Israeli Foreign Ministry from Tel Aviv to Jerusalem. Saudi Arabia hopes that the United States will make strong direct representations to Israel and stresses its conviction that the American stand on this question will probably be a deciding factor.

Hare considers the issue a matter of principle, not a question of placating the Arabs. Since the United States' position is based primarily on political considerations, he

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finds it difficult to condone the reported Israeli move from the standpoint of policy as well as principle. [REDACTED]

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Comment: Syria and Egypt have taken similar action to obtain diplomatic support to oppose the transfer of foreign missions in Israel to Jerusalem.

23. Political crisis in Lebanon temporarily passed: According to American Minister Minor in Beirut, the political crisis resulting from the trial of eight editors responsible for printing articles against the Khouri regime has been passed with the sentencing of the editors.

Minor considers that the real danger to the government now is the possibility that the Khouri regime may assume a false sense of security and fail to initiate needed reforms without which further serious crises can be expected. [REDACTED]

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Comment: There has been considerable evidence in the past few weeks of a growing dissatisfaction with [REDACTED] the Khouri regime. As long as the opposition remains disunited as it is at present, however, it cannot be effective against the government.

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24. South Africa pressing Britain for transfer of Cape naval base: The South African Government has been maintaining continuous pressure for the transfer of the Royal Navy base at Simonstown to South African control, and Chief of Staff Du Toit is raising the issue again at the current London meeting of Commonwealth Chiefs of Staff.

According to the American Military Attache at Pretoria, who learned this from [REDACTED] there, South Africa has so far refused either to undertake the necessary reorganization of the South African Navy or to give adequate political guarantees on British use of the base. [REDACTED]

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Comment: While the Nationalists would like to enhance their own prestige and reduce British power in the subcontinent before next year's election, practical considerations preclude

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any possibility of transfer for some years to come. The South African Navy and Marines are currently at 75 percent of their authorized strength of about 9,000 officers and men. During the past year only two of South Africa's six small fighting ships were operative due to manpower shortages, the appointment of an Afrikaner army officer as head of the naval forces last June having lowered morale and increased recruiting problems.

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WESTERN EUROPE

25. Further request made for NATO consultation on tripartite reply to Soviet note: The importance of giving the North Atlantic Council some information about the contents of the tripartite reply to the latest Soviet note was stressed in a recent NAC meeting by the Danish and Norwegian permanent representatives. Asserting that their parliaments were increasingly concerned lest major steps regarding Germany be taken which might affect them through the NATO-EDC relationship, they asked for information on the reply "sufficiently in advance of its dispatch at least to lend color to the appearance of consultation before publication."

Pointing out that NATO members will probably exert increasing pressure for using NAC as a forum for discussing those aspects of American foreign policy of direct concern to them, the American delegation to NAC recommends in the present instance a brief confidential disclosure by the three powers of their reply to the note at least 48 hours in advance of delivery. [REDACTED]

Comment: This is the third approach along this line by the smaller NATO countries, who continue to worry about big-power domination.

26. Saar decides against authorizing pro-German parties: According to a French Foreign Office official, the Saar Government has decided not to authorize Saar branches of either the German Social Democratic Party or the German Christian Democratic Union.

Although the new parties could not hope to obtain a substantial number of votes under the present circumstances, their presence would jeopardize the effective operation of a Christian Democratic and Socialist coalition which might become necessary after the fall elections. [REDACTED]

Comment: The same French official indicated earlier that he favored the Saar licensing of the German Social Democrats, as did the Saar Socialist Party, which expected the new organization to be a complete failure.

The latest Saar decision probably reflects growing French uneasiness over German tactics. Instead of the high-level solution of the issue which was expected after the Schuman-Adenauer talks in March, the French now face hostile German propaganda in both the Council of Europe and the Saar itself.

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27. Pinay conciliates Gaullist dissidents on foreign policy:
The American Embassy in Paris believes that the rapprochement between the French Government coalition and the Gaullist dissidents has made further progress and is already influencing French foreign policy.

In recent talks held by Premier Pinay and Defense Minister Plevien with Gaullists who are cooperating with the government, the Premier played down the European Defense Community treaty as an obstacle to their cooperation. In subsequent debates this group showed "remarkable" restraint toward the treaty. The Embassy concludes that, as a concession, the government will continue to postpone scheduling parliamentary debate on the treaty's ratification. [redacted]

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Comment: This development reduces the possibility that De Gaulle can force the fall of the government later this year on foreign policy issues.

On the other hand, the already evident coolness within the Pinay government toward present defense policies can now be expected to develop into a more critical approach in relations with the United States.

28. Belgian foreign policy commission provokes dispute: Belgium's national commission on foreign policy, created ostensibly to give broad political support for a national policy on European questions, has touched off a dispute within the Belgian Socialist Party. The Social Christian government has appointed to the commission members of the Socialist and Liberal, as well as Social Christian Parties, thus suggesting that it is "anxious" to divide responsibility for its position on European integration schemes.

The Belgian Foreign Minister has been the target of criticism by Social Christian and Socialist labor leaders, and a Socialist Party leader has reportedly urged party members not to serve on the commission since it would aid the government. American Embassy officials state, however, that the government may induce the Socialist Party to cooperate with it by naming to the commission prominent Socialists committed to European integration. [redacted]

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Comment: The commission is to be composed of members of Parliament and specialists on foreign policy to study the conditions in which a "balanced" European union could be formed.

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Should Socialists and Liberals join the commission, the government's vulnerability on foreign policy would be reduced and chances for the maintenance of the 24-month conscription period improved.

29. German interests consider establishment of armament plant in Sicily: A former German diplomat, Hans Kraus, is allegedly trying to promote the establishment in Palermo, Sicily, of an armaments plant to be named Industria Mediterranea. The firm would manufacture tank tracks and treads for semi-tracked vehicles.

The Italian and Egyptian armed forces are reportedly ready to place substantial orders for these items, and a number of prominent German industrialists are apparently interested in financing the plant. [REDACTED]

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Comment: A new industry in southern Italy would be welcomed by the Italian Government; however, the fact that existing Italian armament plants are working far below capacity would militate against the establishment of such a new plant.

30. Italian Government not expected to dissolve neo-Fascist party: Despite the overwhelming parliamentary approval of a bill empowering the government to dissolve the neo-Fascist Italian Social Movement in the "extraordinary case of necessity and emergency," Christian Democratic spokesmen intimate that no such move is likely in the immediate future.

Government officials fear that even if the party were proscribed, a similar movement would spring up before the 1953 national elections. The new movement might benefit from the "martyrdom" and be free of the present party's less popular ties with the old Mussolini regime.

The US Embassy in Rome comments that the new law may still inhibit the neo-Fascist press and provide a legal basis for jailing some of the party's leaders. [REDACTED]

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Comment: Ever since the Italian Social Movement showed an alarming increase in strength by polling third place in the local elections in southern Italy last month, the centrist parties and the Communists have been increasingly vocal in their demands for the party's suppression.

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31. Eden rumored to leave British Foreign Office for domestic post: There are persistent rumors that Foreign Secretary Eden will relinquish the Foreign Office for another cabinet assignment in an endeavor to alleviate some of the difficulties the government has been encountering with its domestic legislative program. Other "equally speculative" rumors are that Harold Macmillan, Minister of Housing and Local Government, or Selwyn Lloyd, Minister of State for Foreign Affairs, will replace Eden and that Lord Woolton, Lord President of the Council, will be "quietly dropped at some convenient date." [redacted] 25X1

Comment: Recently, there has been much press speculation that Prime Minister Churchill will relinquish some of his duties to Eden whose parliamentary leadership arouses general confidence throughout the Conservative Party. Several public opinion polls have shown a steadily increasing dissatisfaction with the government's handling of domestic issues, and back-bench Conservatives are highly critical both of what they consider the government's ineptness in combating the Opposition's successful parliamentary tactics and of the "unpredictability" of Churchill's intervention on domestic issues.

Macmillan, who has prewar and wartime experience in the foreign field, has been considered an outside contender for the succession to Churchill. Lloyd is a protege of Eden's with no great party standing of his own. Lord Woolton has been under heavy attack because of several [redacted] statements, one of which was a pre-election promise to reduce food prices. 25X6

32. Mounting parliamentary opposition to Norwegian defense budget reported: The Norwegian Minister of Commerce has informed MSA officials in Paris that a growing element in all Norwegian political parties considers the defense budget too large. He is firmly convinced that the defense program, as submitted in reply to the special NATO committee and now under consideration by the Norwegian Parliament, will not be approved unless about 10 million dollars in economic aid is forthcoming for fiscal year 1953. [redacted] 25X1

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Comment: Last winter Norway accepted the NATO recommendation that its 1953 defense budget be approximately 30 percent larger than the 1952 budget. Even so only 5 percent of Norway's 1953 gross national product was allocated to defense, a figure exceeded by the other NATO countries except Denmark and Portugal. American aid in fiscal year 1952 approximated 15 million dollars, of which 9.8 million was economic aid.

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LATIN AMERICA

33. Czechoslovakia said to want to establish relations with Panama: The Panamanian Foreign Minister has informed Ambassador Wiley that the Polish Legation in Mexico has officially notified him of the appointment of a new Minister who will also be accredited to Panama.

The Foreign Minister also said that the Czechs plan a new move to establish diplomatic relations with Panama. The Foreign Minister intends to take the position that no diplomatic representation is necessary since there are "no relations of any kind" between either of the two countries and Panama. [REDACTED] 25X1

Comment: The Polish Minister in Mexico has long been accredited to Panama, but there are still no diplomatic missions from the Orbit in that country. Last September the Czechs were reported to have approached Panama on establishing official representation there.

Czech and Polish interest in Panama is probably motivated by a desire to have representation in key places and to further Orbit trade with dollar areas. Panama has been a regular stopping place for Orbit couriers and representatives traveling between Mexico, Havana, and Caracas.

34. Revolt reportedly planned in Surinam: The political situation in Surinam has "deteriorated rapidly" in the last few weeks and a revolt against the Netherlands is planned, [REDACTED] 25X1X

[REDACTED] The four reported leaders were members of a seven-man delegation which returned this month from The Hague after suspension of negotiations for a new political relationship with the Netherlands.

The Commander of the Dutch forces in Surinam, [REDACTED] 25X6
[REDACTED] has reinforced the army garrison at the capital and taken steps to protect the major airport. He has also ordered the army to hold maneuvers in the capital city of Paramaribo and feels that this show of force will deter disturbances. [REDACTED] 25X1

Comment: Surinam, which supplied almost half of the total US bauxite requirements in 1951, has been increasingly desirous

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of greater political freedom. This is the first hint of a revolt, however.

One of the alleged plotters is a labor leader with considerable influence among the bauxite miners.

Dutch army and marine units, superior in numbers and training to the native police, should be able to control the present threat.

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23 June 1952

CIA No. 49704

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TO THE CURRENT INTELLIGENCE DIGEST

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Office of Current Intelligence

CENTRAL INTELLIGENCE AGENCY

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GENERAL

1. Venezuela reportedly will give no further basis for Soviet complaints: In an interview with the Venezuelan Foreign Minister, Ambassador Warren received the impression that the Venezuelan Government is now fully aware of the possible international repercussions of its treatment of Soviet Embassy personnel.

The Foreign Minister asked for suggestions on how to handle the departure of the Russians most courteously and indicated that, following their departure, he would counter TASS accusations with a communique stressing the courtesies extended.

Ambassador Warren states that the report on the incident by the International Red Cross representative is favorable to Venezuela. [REDACTED]

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2. Private Dutch-Polish trade agreement signed: A private contract has been signed between Poland and the Dutch firms Phillips, Noordmetaal, Poolse Kolen Import Maatschaapj, and Gesellschaft fur Welthandel for Dutch exports of 780,000 dollars' worth of electro-technical equipment and 1,118,000 dollars' worth of nonferrous metals in exchange for an equal value of Polish coal. Approval of the agreement by the Dutch Government and the Netherlands Bank remains to be obtained.

Delivery of the Polish coal was to have begun in May, while Dutch exports are scheduled to start in mid-July. The nonferrous metals are believed to include 1000 tons of copper or lead, or a combination of both, which will have to be purchased outside the Netherlands. [REDACTED]

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Comment: There is no indication of the types of electro-technical equipment to be exported to Poland. Financing of the nonferrous metals probably can be obtained elsewhere, should the Netherlands Bank refuse approval.

FAR EAST

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3. Overthrow of Thai Premier reportedly planned: Police Director General Phao is reportedly planning to depose Premier Phibun by a coup d'etat.

[redacted] also states that the influence of General Sarit, Phao's chief rival, has been weakened by loss of control over certain army units formerly supporting him. If Sarit fails to rebuild his position soon, the source believes his army supporters may attempt a coup which might result in "general fighting throughout the Kingdom."

[redacted]

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Comment: Press reports of 20 June state that a general alert has been ordered in Thailand. However, Phao is currently in Europe and probably would not leave the direction of a coup to his subordinates.

The American Embassy in Bangkok states that Sarit has strengthened his position in recent months and that there is little imminent possibility of an open conflict between the Phao and Sarit factions.

The possibility of a coup by either Phao or Sarit cannot be discounted as their rivalry is a constant threat to stability in Thailand.

EASTERN EUROPE

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4. Yugoslavia will reportedly sponsor invasion of Albania by Albanian refugees: [redacted]

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[redacted]
Yugoslavia plans to create a special organization of Albanian

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refugees which in the near future will attempt to "liberate" an extended zone in Albania as a base of operations for a general revolt. The Yugoslav role in this liberation struggle will be well camouflaged in order to counter charges of Yugoslav intervention and make international inspection possible. To support this prediction, [redacted] the establishment of special operational radio communications courses for Albanians in Yugoslavia. [redacted]

25X1
25X1A
25X1

Comment: The possibility of a Yugoslav-supported revolt in Albania at this time is remote, despite the favored treatment and special training given to a large number of Albanian refugees. Fear of providing an excuse for a Soviet-Satellite counteraction remains a dominant influence on Yugoslav policy towards the Albanian Communist regime of Enver Hoxha.

5. Slow progress being made in MIG-15 production in Polish factory: Progress in the manufacture or assembly of MIG-15's at the former PZL Aircraft Factory in Mielec is very slow, and no aircraft have yet been produced. The plant is reported to be engaged at present in the assembly of three MIG-15's, the parts of which were received from the USSR in February.

Difficulty is being experienced with the blueprints received from the USSR. Soviet engineers are expected at Mielec in the near future. [redacted] (June 52)

25X1A

Comment: It was reported last October, apparently [redacted] that the former PZL factory in Mielec and the State Aircraft Engine Plant in Rzeszow were being retooled to manufacture jet plane parts and assemble MIG-15's. The estimate made at that time that jet planes could not be produced in quantity in Poland before early 1953 still appears valid.

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LATIN AMERICA

6. Agrarian reform law may cause revolution in Guatemala:

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Unrest in Guatemala has been aggravated by the passage on 17 June of the agrarian reform law. There have been scattered riots in rural areas, attempts have been made to dynamite hydroelectric plants in several cities, and there have reportedly been numerous arrests. A revolution may be inspired by large landowners and other anti-Communists.

President Arbenz and administration leaders had repeatedly stated their determination to see the law enacted "even at the risk of civil war." The President has ordered all firearm licenses revoked. Military planes have started patrol flights over the entire country.

Comment: There is no evidence that the widespread antigovernment and anti-Communist activity is now sufficiently coordinated for a successful revolution.

The Chief of the Armed Forces has declared his firm support for the government and the agrarian reform law, but some elements of the army may turn against the government. If rioting gets out of control, however, the army may feel compelled to take over the government to restore order.

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